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NEWS RELEASE

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FOR RELEASE February 1, 2013

Auditor of State David A. Vaudt today released a report on a special investigation of the Adair County Engineer's Office (Engineer's Office) for the period December 5, 2001 through December 31, 2011. The special investigation was conducted after the Adair County Auditor received an anonymous letter outlining concerns regarding the sale of old iron and used bridge planks.

Vaudt reported the special investigation identified \$19,734.11 of undeposited collections. The undeposited collections identified include \$19,309.11 of checks issued to Duane Jameson and Cindy Butcher by a local salvage vendor for the sale of scrap metal from the Engineer's Office. Mr. Jameson is the Road Superintendent and Ms. Butcher is the Shop Clerk in the Engineer's Office. The undeposited collections identified also include 3 checks totaling \$425.00 issued to Cindy Butcher by various individuals for tires and a sprayer tank purchased from the Engineer's Office. Mr. Jameson and Ms. Butcher were placed on unpaid administrative leave on January 23, 2013.

Vaudt also reported it was not possible to determine if additional collections were not properly deposited because adequate records for all collections were not prepared.

The report includes recommendations to strengthen the Engineer's Office's internal controls, such as preparing adequate documentation to support all collections, requiring all collections be properly deposited with the County Treasurer and implementing procedures to track the value of scrap metal and other used items prior to sale.

Because the Adair County Attorney has referred this matter to the Attorney General's Office, a copy of the report has been filed with that Office. Copies of the report have also been filed with the Adair County Sheriff's Office and the Division of Criminal Investigation and a copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/specials/1110-0001-BE00.pdf>.

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**REPORT ON SPECIAL INVESTIGATION
OF THE
ADAIR COUNTY ENGINEER'S OFFICE

FOR THE PERIOD
DECEMBER 5, 2001 THROUGH DECEMBER 31, 2011**

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Auditor of State's Report

To the Members of the
Adair County Board of Supervisors:

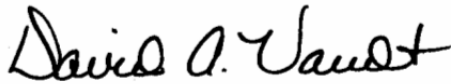
As a result of alleged improprieties regarding collections from the sale of scrap metal and used bridge planks, we conducted a special investigation of the Adair County Engineer's Office (Engineer's Office). We have applied certain tests and procedures to selected financial transactions of the Engineer's Office. However, because certain records were not available for the entire period of the review, not all procedures were performed for the entire period of our review. Based on a review of relevant information and discussions with County officials and staff, we performed the following procedures for the period December 5, 2001 through December 31, 2011 or for the period specified:

- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Obtained and reviewed bank statements from Clayton Auto Salvage and Service (Clayton's), a scrap metal vendor, to identify payments to Adair County and employees of the Engineer's Office for scrap metal for the period December 5, 2001 to December 31, 2011.
- (3) Examined accounting records maintained for the Engineer's Office to determine if collections from the sale of scrap metal were properly deposited with the County Treasurer from October 1, 2008 through June 30, 2012.
- (4) Obtained and reviewed deposits made to Duane Jameson's and Cindy Butcher's personal bank accounts from January 1, 2007 through March 31, 2012 to determine the source of certain deposits.
- (5) In conjunction with the Division of Criminal Investigation, interviewed Engineer's Office employees to obtain an understanding of circumstances surrounding the sale of scrap metal and other used items.

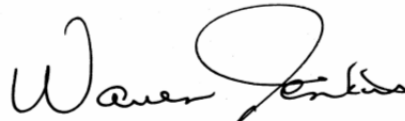
These procedures identified \$19,734.11 of undeposited collections. We were unable to determine if additional amounts were undeposited because adequate records for all collections were not prepared. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary and **Exhibit A** of this report.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U. S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the Engineer's Office, other matters might have come to our attention that would have been reported to you.

Because the Adair County Attorney has referred this matter to the Attorney General's Office, a copy of the report has been filed with that office. Copies of the report have also been filed with the Adair County Sheriff's Office and the Division of Criminal Investigation. We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of Adair County and the Division of Criminal Investigation during the course of our investigation.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 7, 2012

Adair County Engineer's Office
Investigative Summary

Background Information

The Adair County Engineer's Office (Engineer's Office) is responsible for the design, construction and maintenance of the secondary road system of Adair County. The road system is made up of approximately 1,005 miles of roads, 364 bridges and approximately 4,500 roadway pipe culverts. Services include road blading and graveling, bridge maintenance, snow removal, shoulder mowing and general road repairs. The Engineer's Office has approximately 30 full-time and part-time employees.

The Engineer's Office also replaces roadway pipe culverts, related materials and bridges. Salvageable items are reused, sold to citizens who express an interest in the items or taken to a local scrap metal vendor. According to various Engineer's Office employees we spoke with, some items, such as used planks and culverts, may be sold at the job site. Sales of this nature are usually to a farmer who lives or works near the job site. The supervisor of the job authorizes the sale and the purchaser is to submit payment to staff in the Engineer's Office rather than employees at the job site. Unusable materials may be burned at the job site and materials which may be sold as individual pieces later are placed in the yard at the Engineer's Office.

Prior to May 2012, materials which were to be sold as scrap to a scrap metal vendor were taken directly from the job site to the vendor. In addition, small scrap items were placed in a roll-off container in the yard at the Engineer's Office. Scrap in the roll-off container, along with other materials in the yard, is later sold in bulk to a scrap metal vendor. Beginning in May 2012, scrap metal was no longer taken from the job site directly to the vendor. All scrap to be sold is now taken to the yard.

According to the employees, used planks are sold for a set amount per foot. The price for used culverts is dependent on their condition. Typically, culverts which are not rusted are sold for approximately half of their retail price and rusted culverts are sold for approximately a quarter to a third of their retail price.

The revenue received from the sale of all miscellaneous items, including scrap metal, are to be submitted to the Office Manager and subsequently deposited with the County Treasurer. The Office Manager and Administrative Assistant are to prepare receipts for all collections which come into the Engineer's Office and are subsequently deposited with the County Treasurer.

Duane Jameson was hired as a Truck Driver on October 30, 1995. On March 11, 1996, he was promoted to Equipment Operator and then promoted to Bridge Crew Leader on December 16, 1999. Mr. Jameson remained Bridge Crew Leader until he was promoted to Road Superintendent on April 8, 2010. According to the Road Superintendent's job description, his responsibilities included:

- 1) In conjunction with the County Engineer and Crew Leaders, planning and scheduling maintenance and construction activities,
- 2) Instructing and directing the Culvert Crew Leader, Bridge Crew Leader, Dozer Crew, Patrol Operators and Truck Drivers and coordinating these operations with the County Engineer,
- 3) Directing snow and ice removal operations,
- 4) Assigning the equipment necessary to accomplish the necessary work tasks,

- 5) Instructing Crew Leaders and workers in various techniques, practices and the proper operation of equipment,
- 6) Preparing and submitting daily reports of work performed by subordinates,
- 7) Ensuring Crew Leaders have the proper materials, equipment and supplies to efficiently carry out the tasks assigned,
- 8) Assisting the County Engineer with the direction and observation of maintenance work,
- 9) Observing the secondary road system to determine the need for maintenance work,
- 10) Repairing and maintaining real property used by the Engineer's Office,
- 11) Ensuring materials are properly charged to the projects,
- 12) Taking part in hiring, disciplining and terminating employees and
- 13) Performing any other job-related activities assigned by the County Engineer.

As previously stated, some items, such as used planks and culverts, may be sold to individuals and other items may be sold as scrap. According to Mr. Jameson, he set the price of the items to be sold. He also authorized when items could be sold to individuals. As previously stated, other employees also told us scrap materials, which were identified by the Bridge Crew Leader or the Culvert Crew Leader, were routinely taken to a scrap metal vendor from job sites prior to May 2012. Beginning in May 2012, all scrap materials were returned to the yard and taken to the vendor at a later date at the direction of the County Engineer.

Lucinda (Cindy) Butcher, formerly Thompson, was hired as a Seasonal Weed Spray Assistant on June 2, 1997. On May 23, 2011, she became a full-time employee as Shop Clerk and Safety Coordinator. According to her job description, her responsibilities as Shop Clerk included:

- 1) Working closely with administrative staff to ensure necessary information is submitted to the office,
- 2) Assisting in coordinating work orders between the office and shop,
- 3) Keeping an inventory of materials on hand at yards,
- 4) Updating inventory on a daily basis or as needed,
- 5) Ensuring employees check out materials used on projects and updating inventory,
- 6) Assisting the Mechanic with shop inventory,
- 7) Answering the phone and relaying messages at the shop,
- 8) Operating a snowplow truck to clear snow and ice from roadway in the winter months and
- 9) Keeping the shop office, break room and rest rooms neat and clean.

According to Ms. Butcher, she also assisted citizens who called or stopped in to see if specific materials, such as planks, were available for sale. Ms. Butcher stated she sold the materials for the established price and individuals usually paid with a check which was taken to the Office Manager or Administrative Assistant.

The Adair County Auditor's Office received an anonymous letter on March 8, 2012. The letter alleged Mr. Jameson and Ms. Butcher "are pocketing cash they are receiving from the sale of old iron – used bridge plank." Based on the alleged improprieties, County officials requested the Office of Auditor of State perform an investigation. As a result of that request, we performed the procedures detailed in the Auditor of State's Report for the period December 5, 2001 through December 31, 2011.

Detailed Findings

These procedures identified \$19,734.11 of undeposited collections. The \$19,734.11 of undeposited collections identified includes \$19,309.11 of checks issued to Mr. Jameson and Ms. Butcher by a local salvage company for sale of scrap metal from the County Engineer's Office. The undeposited collections also include 3 checks totaling \$425.00 issued to Ms. Butcher by various individuals for items purchased from the Engineer's Office. Mr. Jameson and Ms. Butcher were placed on unpaid administrative leave on January 23, 2013.

We were unable to determine whether additional amounts were undeposited because adequate records for collections were not available. If sufficient records had been readily available, additional undeposited collections may have been identified.

All findings are summarized in **Table 1** and a detailed explanation of each finding follows.

Table 1		
Undeposited collections		Amount
Scrap metal sale	Table 3	\$ 19,309.11
Other salvaged items	Table 5	425.00
Total		<u>\$ 19,734.11</u>

UNDEPOSITED COLLECTIONS

As previously stated, the Engineer's Office periodically receives revenue from the sale of scrap metal or salvaged products. In accordance with requirements established by section 331.552 the *Code of Iowa*, all moneys payable to the County are to be deposited with the County Treasurer for deposit.

However, according to an anonymous letter received by the County Auditor in March 2012, proceeds from the sale of old iron and items such as used bridge planks were not properly deposited. The letter also alleged Mr. Jameson and Ms. Butcher had been "pocketing cash" they received for 3 years and provided the name of a citizen who could provide additional information. A copy of the letter is included in **Appendix 1**.

Collections for the sale of scrap metal and other salvaged items identified are described in the following paragraphs.

Scrap Metal Collections – Based on the allegations included in the letter received by the County Auditor, we contacted the scrap metal vendor located in Greenfield to determine if any documentation or information was available regarding scrap metal sold to the vendor by representatives of the Engineer's Office. We also contacted a scrap metal vendor in Atlantic. The vendor searched their records but did not find any payments to Adair County or specific Engineer's Office employees. As a result, additional procedures were not performed for that vendor.

Clayton Auto Salvage and Service (Clayton's) is located in Greenfield, Iowa, a block east of the Engineer's Office. We spoke with Jeff Clayton, the owner and operator of Clayton's, on several occasions. According to Mr. Clayton, it has been his practice to issue a check at the end of the calendar year as payment for loads of scrap metal brought in by the Engineer's Office throughout the year.

Mr. Clayton stated when a load of scrap metal from the Engineer's Office was brought in, a ticket was prepared and, starting in 2010, "put on the board" with other tickets issued for the County earlier in the year. Toward the end of each year, Mr. Jameson or Ms. Butcher came to Clayton's to pick up a check for all tickets issued during the year. The tickets included the date, a brief description of the scrap metal, the weight and the value of the material.

Prior to 2010, weight tickets were held by the Engineer's Office until the end of the year. According to Mr. Clayton, he did not own a large capacity scale prior to April 2010. Customers were responsible for weighing their truck or trailer at Twenty-First Century Cooperative (Cooperative) before and after delivering scrap metal to the vendor. By weighing their truck or trailer in this manner, the weight of the load can be calculated. Customers then submitted the weigh tickets to Clayton's at their convenience. During April 2010, Clayton's installed a large capacity scale and customers were no longer required to weigh at the Cooperative's scale.

Prior to our fieldwork, Mr. Clayton provided the County Attorney a copy of the check issued in December 2011 for the scrap metal brought in by the Engineer's Office employees throughout 2011. A copy of the check is included in **Appendix 2**. As illustrated by the **Appendix**, the check was not issued to the County. Instead, it was issued to Duane Jameson. When asked why the check was issued to Mr. Jameson instead of the County, Mr. Clayton stated Mr. Jameson told him the funds he provided at the end of each year were used to fund the Engineer Office's annual Christmas party and to purchase shop supplies the County wouldn't supply. He also stated he routinely issued the check at the end of the year to Mr. Jameson or Ms. Butcher.

Because Clayton's did not have an accounting system or other records which allowed us to easily identify the annual checks described by Mr. Clayton, we reviewed images of the checks issued from Clayton's checking account in order to identify any similar checks. Mr. Clayton provided us copies of bank statements which included images of the redeemed checks for the period December 5, 2006 to December 31, 2011. By reviewing the check images, we identified 7 checks issued to Mr. Jameson or Ms. Butcher in December of those calendar years. The checks were issued between December 6, 2006 and December 6, 2011.

The 7 checks matched the description provided by Mr. Clayton as payments he issued to Mr. Jameson or Ms. Butcher for loads of scrap from the County. As a result, we subsequently obtained and reviewed images of checks issued by Clayton's for the period December 5, 2001 to December 4, 2006 and identified 6 additional checks issued to Mr. Jameson or Ms. Butcher in November or December of each year. Images of checks issued prior to December 5, 2001 were not readily available. The 13 checks we identified total \$19,309.11.

During our review of checks issued by Clayton's between December 5, 2006 and December 31, 2011, we also identified a number of checks to the Engineer's Office, Adair County and other employees of the Engineer's Office between December 5, 2006 and December 31, 2011. We determined the following for these checks.

1. With the exception of 1 employee, we did not identify a significant number of checks to individual Engineer's Office employees from Clayton's. While 1 employee received 61 checks from Claytons between December 5, 2006 and December 31, 2011, he was not employed by the Engineer's Office until May 24, 2010. Prior to May 24, 2010, he received 41 checks from Claytons. After that date, he received 20 checks. The frequency or the amount of the checks he received did not change significantly after he was hired by the Engineer's Office.

In addition, only 1 employee received a check in December. However, it was the only check the employee received from Clayton's and it was not for a significant amount. In addition to asking specific employees about personal materials they have taken to Clayton's, we also spoke with Mr. Clayton about specific employees and he confirmed specific individuals brought in scrap metal which is not associated with the County. He was familiar with the individuals and could describe the types of materials they sold to Clayton's.

Because we did not identify concerns regarding payments to employees of the Engineer's Office other than those issued to Mr. Jameson and Ms. Butcher in December of 2006 through 2011, we did not review payments to other employees from December 5, 2001 to December 5, 2006. In addition, none of the payments to the employees are included in **Table 1** as undeposited collections.

2. We determined a large number of the checks issued to Adair County were for property taxes, vehicle registrations or other obligations owed by Clayton's for purposes unrelated to the investigation. The checks issued to the County include the 8 checks listed in **Exhibit A** which were related to the Engineer's Office.

As illustrated by the **Exhibit**, the 8 checks total \$18,917.48. All of the checks were properly deposited with the County Treasurer. Also as illustrated by the **Exhibit**, 3 of the 8 checks were for instances in which Clayton's was awarded a bid job offered by the County and 1 was for the sale of 3 vehicles which were scrapped by the County.

It also appears the check issued in March 2006 was a payment for a bid job. According to the related documentation we obtained from the Engineer's Office, the check was for 6 loads of scrap sold in February 2006. The description is very similar to the description for the check issued in March 2007 and the check is similar in amount and timing. In addition, according to minutes from the Board of Supervisors' February 15, 2006 minutes, the Board opened a sealed bid from Clayton's for \$102.00 per ton of scrap. The bid was accepted by the Board. The remaining 3 checks were for single loads.

In addition, \$1,355.40 from Clayton's was deposited with the County Treasurer in May 2012. The receipt for the deposit was prepared by the Engineer's Office Manager on May 21, 2012. Because questions had been raised about earlier payments, Mr. Clayton stated he walked the check over to the Engineer's Office to ensure it was handled correctly. The related supporting documentation included 3 load tickets which are summarized in **Table 2**.

Table 2		
Date	Weight of Scrap	Amount
03/09/12	6,060 lbs.	\$ 545.40
04/12/12	5,400 lbs. (less 400 lbs. dirt)	450.00
04/12/12	4,280 lbs. (less 280 lbs. dirt)	360.00
Total		<u>\$ 1,355.40</u>

Because the payments to the County were properly deposited, they are not included in **Table 1**.

The 13 checks issued to Ms. Butcher (formerly known as Ms. Thompson) and Mr. Jameson are listed in **Table 3**. As illustrated by the **Table**, the 7 checks issued to Ms. Butcher total \$5,962.01 and the 6 checks issued to Mr. Jameson total \$13,347.10. Copies of the checks are included in **Appendix 2**.

Table 3

Check Date	Check Number	Cindy Thompson*	Duane Jameson	Total
11/08/02	5262	\$ 499.00	-	499.00
12/29/03	5980	282.60	-	282.60
12/29/03	5981	600.00	-	600.00
12/10/04	6862	1,351.25	-	1,351.25
12/10/04	6865	721.00	-	721.00
12/12/05	7897	1,697.96	-	1,697.96
12/06/06	9639	-	808.00	808.00
12/12/07	12024	-	551.00	551.00
12/31/08	14996	810.20	-	810.20
12/21/09	16598	-	2,750.30	2,750.30
12/21/09	16601	-	540.00	540.00
12/20/10	19499	-	1,025.20	1,025.20
12/06/11	23896	-	7,672.60	7,672.60
Total		\$ 5,962.01	13,347.10	19,309.11

* - Ms. Butcher's former name.

As illustrated by **Table 3**, 2 or more checks were issued to either Mr. Jameson or Ms. Butcher (Thompson) in December 2003, 2004 and 2009. The checks were issued on the same day and were either sequential or only a few numbers apart. As previously mentioned, Clayton's did not own a large capacity scale prior to April 2010. It appears more than 1 check may have been issued because Mr. Jameson or Ms. Butcher did not bring in all the load tickets at 1 time. After April 2010, we identified only 1 payment to either Mr. Jameson or Ms. Butcher at the end of the year.

In addition, Mr. Clayton stated he only held load tickets until the end of the year for the County. He has some commercial customers for whom he holds tickets for up to 30 days, but he does not hold tickets for sales to individuals. He stated he didn't think anyone would have multiple personal trips to Clayton's in a single day for which they would receive large amounts.

In addition to the 2 checks issued to Ms. Butcher (Thompson) on December 10, 2004, we determined check number 6866 was issued to "Adair Co." for \$505.30 on December 10, 2004. This check immediately followed check number 6865 issued to Ms. Butcher (Thompson) on the same day. Check number 6866 was recorded on a receipt in the Engineer's Office and properly deposited with the County Treasurer and recorded as scrap iron. During an interview with Mr. Clayton, he stated it seemed to him the proceeds from the sale of scrap were being split. We are unable to determine if the proceeds of the scrap were also split in 2003 and 2009. However, during both 2003 and 2009, 1 of the 2 checks issued was for an even dollar amount.

Clayton's did not maintain load tickets or any other documentation for the period of our investigation which would have provided additional information about the materials brought into Clayton's. However, according to the Bridge Crew Leader and Culvert Crew Leader, the Engineer's Office did not replace any bridges in 2010, but did replace culverts. During 2011, 3 bridges were replaced. This explains the significant increase in the amount of the check issued by Clayton's at the end of 2011, in addition to the increase price per ton for scrap metal.

With a special agent of the Division of Criminal Investigation (DCI agent), we interviewed Mr. Jameson and Ms. Butcher separately regarding the sale of scrap metal. The following information was obtained during the interviews:

- Mr. Jameson stated load tickets were kept at Clayton's throughout the year, and he went to Clayton's to settle up on the scrap sales near the end of each year. He stated several times he only received payments in cash, usually \$500.00 to \$1,000.00.

During a separate interview, Ms. Butcher stated Clayton's kept the load tickets until the end of the year. She also stated she received only cash from Clayton's when she picked up proceeds from scrap or she received cash from Mr. Jameson when he picked up the proceeds. However, she stated she typically received only approximately \$500.00 per year, either directly from Clayton's or from Mr. Jameson if he picked up the proceeds from Clayton's.

While Mr. Jameson and Ms. Butcher stated they received cash from Clayton's, Mr. Clayton stated on several occasions cash payments in excess of \$50.00 are not issued. However, with the assistance of representatives of a local bank, we determined each of the 13 checks listed in **Table 3** were redeemed for cash by Mr. Jameson or Ms. Butcher.

- Mr. Jameson stated the cash payments received from Clayton's in December at the end of each year were used for Christmas parties and retirement gifts for Engineer's Office employees. Mr. Jameson also specified the gifts included items such as a shirt or jacket with the Office name.

Ms. Butcher stated funeral flowers, coffee, ice and ice cream were also purchased with the cash she received. In addition, pens and lottery tickets were purchased as gifts for Engineer's Office employees. She also stated proceeds from the redemption of pop cans collected from employees in the shop were used for the Christmas party and these additional items.

- During the interview, Mr. Jameson stated Ms. Butcher was in charge of making arrangements for the Engineer's Office Christmas party and \$460.00 or so was spent for the 2011 Christmas party.

Ms. Butcher stated she organized the Christmas parties and hired a caterer for the meal. She initially stated the employees paid for the party with proceeds from their pop cans. She also said if the pop cans weren't enough, all the employees chipped in. She later stated "we sold a little bit [of scrap] and we got cash and we did use a little of it for the Christmas party one year." When asked what and how much was sold, she stated "I don't know, probably three or four hundred dollars' worth of used culverts." Subsequently in the interview, Ms. Butcher acknowledged the proceeds from Clayton's were used for a Christmas party for a number of years.

After the interview, Ms. Butcher provided some notations from 2003 through 2011 and some receipts which she described as the costs associated with the Christmas parties she organized. The cost information provided by Ms. Butcher is summarized in **Table 4**. Ms. Butcher did not provide cost information for 2003, 2006 and 2008, but she did provide limited notations, such as the menu and anticipated participants. In addition, the 2007 costs shown in **Table 4** were summarized in Ms. Butcher's documentation, but the individual amounts were not described by type of cost. The costs are included in the **Table** based on similar costs in other years.

Table 4

Description	2004	2005	2007	2009	2010	2011
Dinner from caterer & tip	\$ 354.00	375.00	340.00	350.00	420.00	430.00
Additional food/table service	70.00	64.00	47.00	57.00	215.00	156.00
Decorations	-	65.00	67.00	105.00	-	19.00
Gifts	149.00	150.00	210.00	-	180.00	372.00
Bar & tip	-	80.00	-	-	45.00	-
Total	\$ 573.00	734.00	664.00	512.00	860.00	977.00

The documents from Ms. Butcher included handwritten receipts in 2009, 2010 and 2011 which did not include a vendor name but appear to be from the caterer. Similar receipts were not provided for other years. In addition to the caterer's receipts, the information Ms. Butcher provided indicated other items, such as beverages, table service and meat and cheese trays, were also purchased. However, receipts were not provided for these costs for each year.

According to Ms. Butcher, they did not serve alcohol at the parties. We are unable to determine what the \$80.00 described as "Bar & tip" in 2005 was for. The gifts for 2003 and earlier years were described as screwdrivers, wrenches, pliers, candy and nuts. Gifts in more recent years were described as tickets [lottery tickets]. In addition, in 2011, a receipt Ms. Butcher provided showed she purchased 53 pens which were engraved and had an LED light in the end. After including set-up charges and shipping and handling fees, the pens cost \$146.97.

For the years and costs for which Ms. Butcher did not provide receipts, we are unable to substantiate the costs she summarized.

- When Mr. Jameson was asked during the interview if he had taken personal items to Clayton's to sell as scrap, he stated he had taken in various farm equipment, including a combine and old equipment he was clearing off the family farm. When we asked Mr. Clayton about these statements, he acknowledged Mr. Jameson had brought a combine in but could not recall an approximate timeframe or amount of the sale.

Ms. Butcher also stated she had taken personal items to Clayton's to sell as scrap. She specified farm equipment from during the time she lived on the farm with her former husband. Based on available public records, we determined Ms. Butcher moved into Greenfield and left the farm prior to the date of any of the checks issued to her by Clayton's.

Ms. Butcher also stated she took items to Clayton's which belonged to her brother. She did this to help prevent his former wife from knowing about the sale proceeds. We were unable to verify Ms. Butcher's claim.

- When asked why the proceeds from Clayton's were not deposited to the County, Mr. Jameson indicated that was the way it had always been done. He also stated, while he didn't know if the current Board of Supervisors knew how the Christmas party was paid for, prior Board members did.

During her interview, Ms. Butcher stated the deposits "didn't get done because they [the Board of Supervisors] wouldn't have approved it [payment for the Christmas party]." When asked why they wouldn't have approved it, she stated "because we probably weren't supposed to be having a party on County time." Following Ms. Butcher's statement, the DCI agent stated it's also not right to use County funds to have the parties and the proceeds from the sale of scrap should actually go

back to the County rather than having a party or into an unauthorized fund. She agreed with his statement.

- During their separate interviews, both Mr. Jameson and Ms. Butcher stated they were aware of the anonymous letter sent to the County Auditor. Mr. Jameson denied the allegations in the letter and stated it had been sent by a disgruntled employee. Neither Mr. Jameson nor Ms. Butcher referred to the letter until well into their interview.

As previously stated, Mr. Clayton stated the checks issued to Mr. Jameson and Ms. Butcher at the end of the year were for loads of scrap from the Engineer's Office. This is supported by the limited number of collections deposited with the County Treasurer. As listed in **Exhibit A**, we identified only 5 payments from Clayton's not pertaining to bid items.

We also considered information obtained from various Engineer's Office employees during interviews held with the assistance of the DCI agent. Based on those interviews, we determined employees were responsible for frequently taking scrap iron to Clayton's throughout the year. As mentioned previously, Clayton's did not own a large capacity scale prior to April 2010. As a result, employees returned the load tickets to either Mr. Jameson or Ms. Butcher prior to April 2010. The employees stated the tickets remained at Clayton's after April 2010 and they did not know who picked up the load tickets and payment. Several employees also stated or indicated it was common knowledge among Engineer's Office employees proceeds from the sale of scrap was used for the Christmas parties.

We also considered the statements made by Mr. Jameson and Ms. Butcher during interviews with them. Based on each of these factors, we determined the \$19,309.11 of checks to Mr. Jameson and Ms. Butcher listed in **Table 3** should have been deposited with the County Treasurer. Because they were not, they are included in **Table 1** as undeposited collections.

Other Salvaged Items - We reviewed monthly statements for personal bank accounts held by Mr. Jameson for the period January 1, 2007 through March 31, 2012. While Mr. Jameson had a number of non-payroll deposits to his bank account, we did not identify any deposits which included funds which appear to have been issued to the Engineer's Office or should have been deposited with the County Treasurer.

We also reviewed monthly statements for personal bank accounts held by Ms. Butcher for the period January 1, 2007 through March 31, 2012. During our review of deposits to the accounts, we identified 2 checks which were issued to Ms. Butcher but included notations in the memo portion of the checks which indicated the payments were for items purchased from the Engineer's Office.

An additional check was identified during an interview with an Engineer's Office employee. The payment was not identified during our review of Ms. Butcher's bank statements because it was redeemed for cash rather than deposited. We are unable to determine if Ms. Butcher redeemed any additional checks which should have been deposited with the County Treasurer. The 3 checks identified are listed in **Table 5**. Copies of the checks are included in **Appendix 3**.

Table 5			
Date	Issuer	Memo	Amount
09/04/10	Karen L. Decker*	4 BF Goodrich tires	\$ 200.00
12/15/10	Frontier Veterinary Research and Consulting, LLC	Tires	200.00
06/30/11	Megan Decker	Sprayer tank	25.00
Total			<u>\$ 425.00</u>

* - Check identified during interview with Engineer's Office employee.

During Ms. Butcher's interview, she eventually admitted all 3 checks should have been deposited with the County Treasurer. She also stated she cashed the checks, or deposited them in her personal checking account and withdrew the same amount in cash, and used the proceeds for the "Christmas party slush fund." However, when we reviewed Ms. Butcher's bank statements, we did not find any cash withdrawals near the time the checks were deposited.

The \$425.00 total of the 3 checks is included in **Table 1** as undeposited collections.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the Engineer's Office to process collections. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check of those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the Engineer's Office's internal controls.

- A. Salvaged Materials and Scrap Metal – Because records were not maintained for materials recovered from job sites, no one in the Engineer's Office was able to readily determine if proceeds from the sale of salvaged materials and scrap metal were properly deposited with the County Treasurer.

In addition, proceeds from certain sales were not provided to the Office Manager or Administrative Assistant. As a result, the proceeds were not recorded on a receipt.

Inventory records were not maintained which documented the weight or value of scrap metal held or sold.

Recommendation – The Engineer's Office should implement procedures which ensure sufficient records are maintained for materials recovered from job sites. The records should include a description of the materials, quantity/weight, whether it will be sold as individual pieces or as scrap, the job from which it was recovered, the date it was returned to the Engineer Office's yard, the date it was subsequently sold, the amount it was sold for and who authorized the sale.

In addition, the records should periodically be reviewed by someone independent of other duties related to the materials to ensure all material is accounted for. The sale amounts should be compared to the amounts deposited with the County Treasurer. Any variances identified should be resolved in a timely manner.

Also, proceeds should be provided to the Office Manager or Administrative Assistant by the purchaser or scrap metal vendor. Any documentation related to the sale, such as a ticket from a scrap metal vendor, should be maintained with a copy of the receipt. The proceeds, along with the appropriate documentation, should be remitted to the County Treasurer in a timely manner. Periodically, someone independent of handling the sale of materials and the collection of proceeds should compare the material records, receipts and the amounts deposited with the County Treasurer.

- B. Fuel – Several Engineer's Office employees stated the controls over the fuel pumps located at the Engineer's facility are not sufficient. While the pumps are locked, it would not be difficult to gain unauthorized access to the fuel. In addition, while Engineer's Office employees record fuel pumped for each vehicle maintained by the Office, they do not record the odometer readings and no one independent of the

vehicle or fuel usage reviews the information to ensure the fuel taken from the pumps is reasonable based upon the mileage incurred for the Office's vehicles.

Recommendation – The Engineer's Office should implement procedures which ensure the physical access to the fuel pumps is improved. In addition, the logs currently used to record the amount of fuel pumped for each vehicle should also include the odometer reading of the vehicle each time it is refueled. Someone independent of the vehicles and use of the fuel pump should periodically review the logs to ensure the amount of fuel recorded is reasonable for the odometer readings recorded.

In addition, the odometer readings should also be periodically compared to the actual odometer reading. Also, the total amount of fuel recorded as pumped for all Office vehicles, along with fuel for Conservation and Sheriff's Office vehicles, should be compared to the amount of fuel taken from the tank to ensure fuel is not pumped for unauthorized vehicles.

- C. Unauthorized "Slush" Funds – Unauthorized accounts which are replenished with funds which should be deposited with the County Treasurer should not be maintained by any County Office or Department. While it is not inappropriate to maintain accounts for certain items, such as employee events, employee recognition or "treats" made available in the office for all employees, the accounts should be replenished with funds raised by or donated in some manner by the employees.

Recommendation – The Engineer's Office should implement procedures which ensure accounts used to pay for employee events, employee recognition, treats and any other similar items or events are not replenished with County funds. It is not uncommon for employees to establish accounts of this nature which are replenished with proceeds from the sale of pop cans, "candy boxes" which operate at a nominal profit margin and/or donations from employees.

Exhibit

Report on Special Investigation of the
Adair County Engineer's Office

Selected Checks Issued to Adair County
by Clayton Auto Salvage and Service

For the period December 5, 2001 through December 31, 2011

Per Check Image				Description per Supporting
Check Date	Issued to	Check Memo	Amount	Documentation from the Engineer's Office
04/19/04	Adair County	Scrap Iron (Bid)	\$ 5,111.90	None
12/10/04	Adair Co	Scrap Iron	505.30	None
03/01/06	Adair County	Scrap Iron	4,536.96	6 load tickets dated between 02/22/06 and 02/27/06 for a total of 44.48 tons at \$102.00 per ton
12/11/06	Adair Co Road Dept	Roll off Shop Bid	316.00	1 load ticket dated 08/31/06 for 3.95 tons at \$80.00 per ton
03/12/07	Adair Co	Scrap Iron Bid	6,354.92	4 load tickets dated between 02/20/07 and 02/23/07 for a total of 62.92 tons at \$101.00 per ton
08/23/07	Adair County	None	237.60	1 load undated ticket for 2.97 tons at \$80.00 per ton
02/06/08	Adair Co	Iron Box	304.80	1 undated load ticket for 3.81 tons at \$80.00 per ton
08/17/10	Adair Co	3 Trucks	1,550.00	Sale of a 1984 Conventional LNT9000, a 1993 Ford F250 and a 1994 Chevrolet K2500
Total			<u>\$ 18,917.48</u>	

**Report on Special Investigation of the
Adair County Engineer's Office**

Appendices

Appendix 1

Report on Special Investigation of the Adair County Engineer's Office

Copy of Anonymous Letter

Adair County Auditor
Mindy Schaefer
Greenfield IA.

FILED
MAR 08 2012
MINDY SCHAEFER
ADAIR COUNTY AUDITOR

DEAR Mindy,

DUANE JAMESON - Cindy Butcher ARE
pocketing cash they ARE RECEIVING FROM
THE SALE of old IRON - USED bridge
plank ASK Clifton Baudler, Clayton's
BEEN going ON 3 YEARS - getting WORSE

DIVOGA

Report on Special Investigation of the
Adair County Engineer's Office

Copies of Checks Issued by Clayton Auto Salvage and Service

CLAYTON AUTO SALVAGE AND SERVICE, L.C. 72-750/739 20125063 5262
519 SOUTH 1ST STREET
GREENFIELD, IA 50849
DATE 11-8-02

PAY TO THE ORDER OF Cindy Thompson \$ 499.00
Four hundred ninety and 00/100 DOLLARS

1ST First National Bank
FORTYANVILLE, IOWA 50848
GREENFIELD, IOWA 50849

CLAYTON AUTO SALVAGE AND SERVICE, L.C.

MEMO Scrap Tyres [Signature]

#0000044900

DA Debits - 11/15/2002

CLAYTON AUTO SALVAGE AND SERVICE, L.C. 72-750/739 20125063 5980
519 SOUTH 1ST STREET
GREENFIELD, IA 50849
DATE 12/29/03

PAY TO THE ORDER OF Cindy Thompson \$ 282.60
Two hundred eighty two and 60/100 DOLLARS

1ST First National Bank
FORTYANVILLE, IOWA 50848
GREENFIELD, IOWA 50849

CLAYTON AUTO SALVAGE AND SERVICE, L.

MEMO [Signature] Kira Clark

#0000028260

DA Debits - 01/13/2004

CLAYTON AUTO SALVAGE AND SERVICE, L.C. 72-750/739 20125063 5981
519 SOUTH 1ST STREET
GREENFIELD, IA 50849
DATE 12-29-03

PAY TO THE ORDER OF Cindy Thompson \$ 600.00
Six hundred and 00/100 DOLLARS

1ST First National Bank
FORTYANVILLE, IOWA 50848
GREENFIELD, IOWA 50849

CLAYTON AUTO SALVAGE AND SERVICE, L.

MEMO Tran [Signature]

#0000060000

DA Debits - 01/13/2004

Appendix 2

Report on Special Investigation of the Adair County Engineer's Office

Copies of Checks Issued by Clayton Auto Salvage and Service

CLAYTON AUTO SALVAGE AND SERVICE, L.C.
519 SOUTH 1ST STREET
GREENFIELD, IA 50849

72-750/739
20125053

6862

DATE 12-10-04

PAY TO THE ORDER OF Cindy Thompson \$1,351⁰⁰

one thousand three hundred fifty one and 00/100 DOLLARS

First National Bank
Fontanella, IA Greenfield, IA
Massena, IA Anita, IA
Corcoranville, IA

CLAYTON AUTO SALVAGE & SERVICE, L.C.

MEMO [REDACTED]

0000135125

DA Debits - 12/14/2004

CLAYTON AUTO SALVAGE AND SERVICE, L.C.
519 SOUTH 1ST STREET
GREENFIELD, IA 50849

72-750/739
20125053

6865

DATE 12-10-04

PAY TO THE ORDER OF Cindy Thompson \$721⁰⁰

seven hundred twenty one and 00/100 DOLLARS

First National Bank
Fontanella, IA Greenfield, IA
Massena, IA Anita, IA
Corcoranville, IA

CLAYTON AUTO SALVAGE & SERVICE, L.C.

MEMO [REDACTED]

0000072100

DA Debits - 12/14/2004

CLAYTON AUTO SALVAGE AND SERVICE, L.C.
519 SOUTH 1ST STREET
GREENFIELD, IA 50849

72-750/739
20125053

7897

DATE 12-12-05

PAY TO THE ORDER OF Cindy Thompson \$1,677⁹⁶

one thousand six hundred seventy seven and 96/100 DOLLARS

First National Bank
Fontanella, IA Greenfield, IA
Massena, IA Anita, IA
Corcoranville, IA

CLAYTON AUTO SALVAGE & SERVICE, L.C.

MEMO Tru

0000167796

DA Debits - 12/14/2005

Report on Special Investigation of the
Adair County Engineer's Office

Copies of Checks Issued by Clayton Auto Salvage and Service

CLAYTON AUTO SALVAGE AND SERVICE, L.C.
519 SOUTH 1ST STREET
GREENFIELD, IA 50849

DATE 12-6-06 9639 72-0750/0739

PAY TO THE ORDER OF Duane Jameson \$ 808⁰⁰

Eight hundred and eight DOLLARS

First National Bank
Fontanville, IA Greenfield, IA
Maumee, IA Anita, IA
Concordville, IA

MEMO _____

0000080800

DA Debits - 12/08/2006

CLAYTON AUTO SALVAGE AND SERVICE, L.C.
519 SOUTH 1ST STREET
GREENFIELD, IA 50849

DATE 12-12-07 12024 72-0750/0739

PAY TO THE ORDER OF Duane Jameson \$ 551⁰⁰

Five hundred and fifty one DOLLARS

First National Bank
Fontanville, IA Greenfield, IA
Maumee, IA Anita, IA
Concordville, IA

MEMO _____

0000055100

DDA Debits - 12/12/2007

CLAYTON AUTO SALVAGE AND SERVICE, L.C.
519 SOUTH 1ST STREET
GREENFIELD, IA 50849

DATE 12-31-08 14986 72-0750/0739

PAY TO THE ORDER OF Cindy Thompson \$ 810²⁰

Eight hundred and ten DOLLARS

First National Bank
Fontanville, IA Greenfield, IA
Maumee, IA Anita, IA
Concordville, IA

MEMO _____

0000081020

DA Debits - 01/02/2009

Appendix 2

Report on Special Investigation of the Adair County Engineer's Office

Copies of Checks Issued by Clayton Auto Salvage and Service

CLAYTON AUTO SALVAGE AND SERVICE, L.C.
519 SOUTH 1ST STREET
GREENFIELD, IA 50849

DATE 12-21-09

16598
72-0750/0739

PAY TO THE ORDER OF Reggie Puryear \$ 2,750⁰⁰

First National Bank
Trentonville, IA Greenfield, IA
Massena, IA Anita, IA
Corriganville, IA

MEMO Fuel

0000275030

DA Debits - 12/21/2009

CLAYTON AUTO SALVAGE AND SERVICE, L.C.
519 SOUTH 1ST STREET
GREENFIELD, IA 50849

DATE 12-21-09

16601
72-0750/0739

PAY TO THE ORDER OF Reggie Puryear \$ 540⁰⁰

First National Bank
Trentonville, IA Greenfield, IA
Massena, IA Anita, IA
Corriganville, IA

MEMO

0000054000

DA Debits - 12/30/2009

Report on Special Investigation of the
Adair County Engineer's Office

Copies of Checks Issued by Clayton Auto Salvage and Service

CLAYTON AUTO SALVAGE AND SERVICE, L.C.
519 SOUTH 1ST STREET
GREENFIELD, IA 50849

19499
72-0750/0739

DATE 12-20-10

PAY TO THE ORDER OF Diane Jamison \$ 1,025⁰⁰

Wendell James James DOLLARS

First National Bank
Fontanville, IA Greenfield, IA
Mason, IA Anna, IA
Corriganville, IA

MEMO James

0000102520

DA Debits - 12/20/2010

CLAYTON AUTO SALVAGE AND SERVICE, L.C.
519 SOUTH 1ST STREET
GREENFIELD, IA 50849

23898
72-0750/0739

DATE 12-6-11

PAY TO THE ORDER OF Diane Jamison \$ 7,672⁶⁰

Wendell James James DOLLARS

First National Bank
Fontanville, IA Greenfield, IA
Mason, IA Anna, IA
Corriganville, IA

MEMO James

0000767260

DA Debits - 12/07/2011

Appendix 3

Report on Special Investigation of the Adair County Engineer's Office

Copies of Checks Issued to Cindy Butcher

JIM D. DECKER OR
KAREN L. DECKER
STREET
LORIMOR, IA 50149
PHONE # [REDACTED]

72-314/739 3659

Date 9-4-2010

Pay to the Order of Cindy Butcher \$ 200.00

Two hundred 00/100

FARMERS & MERCHANTS STATE BANK DD/AQHA HORSES

[Signature] [Signature]

⑈0000020000⑈

FRONTIER VETERINARY RESEARCH
& CONSULTING, LLC
WINTERSET, IA 50273

72-315/739 1043

DATE 15 DEC 10

PAY TO THE ORDER OF CINDY BUTCHER \$ 200.00

Two hundred 00/100

USB UNION STATE BANK
Your HomeTown Financial Advantage
UnionState.com

MEMO FIRS [Signature]

⑈0000020000⑈

nsit - 12/21/2010

MEGAN L. DECKER
PH. [REDACTED]
LORIMOR, IA 50149

72-314/739 760
014799

DATE Jun 30, 2011

PAY TO THE ORDER OF Cindy Butcher \$ 25.00

Twenty five 00/100

FARMERS & MERCHANTS STATE BANK
Home Grown Banking for Today & Tomorrow
Winteret - Main Office • 101 West Jefferson • P.O. Box 28 • Winteret, Iowa 50272-0028

MEMO Spencer tank [Signature]

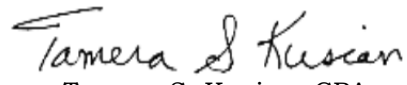
⑈0000002500⑈

Report on Special Investigation of the
Adair County Engineer's Office

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
James R. Wittenwyler, Senior Auditor



Tamera S. Kusian, CPA
Deputy Auditor of State